

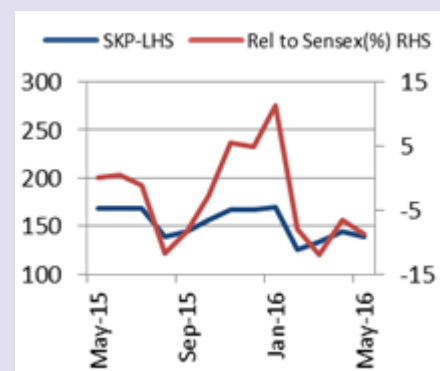
## Skipper Limited

BSE SENSEX 25230	S&P CNX 7731	CMP: INR139	TP: INR205 (+47%)	BUY							
Shares O/s (cr)	10.2	<b>YEAR</b>	<b>SALES</b>	<b>A.PAT</b>	<b>A.EPS</b>	<b>A.EPS</b>	<b>PE</b>	<b>P/BV</b>	<b>EV/</b>	<b>DIV. YLD</b>	<b>ROCE</b>
52-W H/L Range (INR)	220/117	<b>March</b>	<b>(INRCr)</b>	<b>(INRCr)</b>	<b>(INR)</b>	<b>Gr.(%)</b>	<b>(X)</b>	<b>(X)</b>	<b>EBITDA(X)</b>	<b>(%)</b>	<b>(%)</b>
1/6/12 Month Perf.	-11/-18/-11	FY16	1,488	83	8.1	36%	17.1	3.7	8.8	1.0%	24%
Market Cap. (INR Cr)	1,418	FY17E	1,804	107	10.4	28%	13.3	3.0	7.3	1.1%	25%
Market Cap. (US\$ m)	218	FY18E	2,214	146	14.3	37%	9.7	2.4	5.8	1.3%	28%

### RESULTS OVERVIEW: Below estimates on lower commodity prices; deleveraging its global business and focussing on domestic opportunities

- The company reported revenues of INR530 cr (Vs estimate of INR591 cr; down 10%), EBITDA of INR73 cr (Vs estimate of INR87 cr; down 15%), and PAT of INR36 cr (Vs estimate of INR43 cr; down 17%) in 4QFY16. This miss versus our estimates was mainly on account of lower commodity prices. However, the company was able to protect its EBITDA margins, which stood at 13.9% Vs 13.7% in 4QFY15.
- Volume growth in for transmission towers and PVC products stood at 15% and 70% respectively for FY16. However, revenue growth was 17% for the year due to lower commodity prices.
- Order backlog as of March 2016 end was flat at INR2429 cr Vs INR2448 cr in March 2015. However, the mix in FY16 has changed with 75% domestic orders Vs 50% last year. The company is now witnessing traction from certain state transmission electricity boards with INR600 cr of orders from them, which was nil last year

INRCr	4QFY15	3QFY16	4QFY16	yoy	qoq	FY15	FY16	yoy
Total Income	500	372	530	6%	42%	1270	1488	17%
Expenditure	431	322	456.34	6%	42%	1086	1287	19%
EBITDA	69	50	73	7%	46%	229	224	-2%
Other Income	0	1	1.09			44	23	-47%
Interest	15	15	15.54	1%	2%	70	57	-19%
Depreciation	6	6	6.32	0%	3%	22	24	10%
PBT	47	29	52.64	12%	82%	136	143	5%
Tax	17	10	16.52		62%	47	48	2%
Adj. PAT	30	19	36	19%	93%	61	83	36%
EBITDA (%)	13.7%	13.5%	13.9%			18.0%	15.1%	
Tax rate (%)	36%	35%	31%			35%	34%	



### Valuation and view

- Global volatility in commodities coupled with business uncertainty has impacted order inflows from the South American region. The company has been able to deleverage itself by focussing on India for the next two years. Order traction from state transmission utilities can be the next driver for growth for the Engineering Products segment, with a huge potential depending on the success of the UDAY scheme. Additionally, larger private players entering the transmission sector can add to Skipper's customer profile and help it reduce its dependence on PGCIL.
- On the PVC side, the company expects to commence its 5000 MTPA plant near Hyderabad in Q1FY17. The company is in the process of ramping up production in its other units and the management expects volume to grow by about 70% in FY17. PVC pipes continues to witness strong growth and we continue to believe this business will drive growth over the next few years. We estimate this business to be 2.5x the FY16 revenues and profits in FY18
- We have cut our FY17 estimates and expect our earlier FY17 profit estimate to be achieved in FY18. We maintain our target of INR 205 (based on 15x FY18 EPS)

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